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BUSINESS OVERVIEW

1. BASIC ORGANIZATION DESCRIPTION

Size, Location, and Profile of Employees

Defense Supply Center Philadelphia (DSCP) is a combat support agency responsible for a full range of supplies and logistical services to the U.S. Armed Forces throughout the world in peace and war. The current DSCP organizational structure is on page vii.

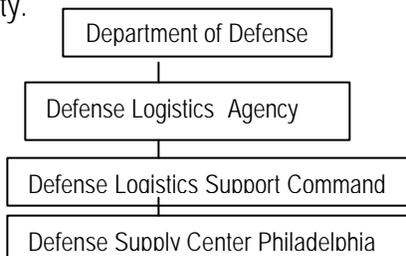
Located in Philadelphia, Pennsylvania, DSCP employs 2,986 civilian employees and 77 military personnel. Our employees work under 152 different job classifications, with 64% of our work force specialized in acquisition and supply chain management. The remaining 36% are in support fields. The American Federation of Government Employees represents our work force, with 20% as dues-paying members. DSCP also maintains additional CBU offices in Pearl Harbor, HI (DSCP-Pacific) and in Mainz Kastel, Germany (DSCP-Europe). DSCP manages over 28 branch offices throughout the U.S., Europe and the Pacific (with an average of 2 - 3 field representatives at most sites).

We are a diversified organization.

Gender	Male 44 %	Female 56 %		
Race	White 70 %	Black 26 %	Hispanic 2 %	Asian 2 %
Education	High School & Less 34 %	Less than Bachelor's 26 %	Bachelor's Degree 31%	Master's or Better 9 %

DSCP Demographics (Chart OV-1)

This chart shows our organizational position in the federal community.



Relationship to Parent Organization (Chart OV-2)

DSCP is a sub-unit of Defense Logistics Support Command (DLSC) and represents about 20% of DLSC's total personnel strength. Our products and services are different from other DLSC activities. Most of DSCP managed items are commercially available items purchased under prime vendor contracts for our military services and non-DoD activities such as the U.S. Coast Guard. The other DLSC activities manage primarily "weapon systems" related items. DLSC provides funding guidance to DSCP for our overall operation and maintenance.

Mission, products and services.

Our Mission: To provide food, clothing and textiles, medical supplies and equipment and general and industrial items in support of the Department of Defense (DoD) military services, federal & civil agencies, and foreign countries.

Our Vision: To be the logistics partner to the warfighter by providing supplies and services world-wide when and where needed; enhanced readiness through focused logistics with a forward presence and a world class workforce.

We Value:

- Our people and our diversity.
- Our personal and organizational integrity.
- Trusting and empowering our people to care for the interest of our customers.
- Innovating to improve our business practices and procedures through teamwork.

Annual Sales

In FY 99, DSCP sold over \$4.8 billion of food, clothing and textiles, medical supplies and general/industrial items to our 25,000 plus worldwide customers.

Commodity	Annual Sales
Clothing & Textiles	\$1.1B
Subsistence	\$1.2B
Medical Materiel	\$1.5B
General/Industrial	\$1.0B

DSCP Sales (Chart OV-3)

Major Equipment and Technology Used

Automated System	Key Features	Benefits
Automated System for Cataloging & Ordering Textiles (ASCOT)	Search a complete catalog by various methods such as item, NSN, or specs, order on-line, provides status, accepts credit card for billing.	Paperless processing of requisitions. Improved customer support.
Subsistence Total Order and Receipt Electronic System (STORES)	One stop shopping for all subsistence items from multiple vendors.	Automated processing of orders. Personalized services to customer.
Medical Electronic Catalog (ECAT) Ordering.	On-line catalog ordering of medical items.	Paperless processing of requisitions. Reduced lead-time for medical items.
Distribution and Pricing Agreement (DAPA) Management System	Enables suppliers to electronic submit price and product information.	Improves efficiency of obtaining pricing and product data information to our Prime Vendor customers.
On-line Report System (ORS)	Mainframe reports displayed in a client/server application.	Eliminates need for printing hard copy reports.
SAMMS Procurement Electronic Data Exchange (SPEDE)	Used to procure medical, clothing and textile items via EDI applications	Improves procurement actions and reduces lead time.
Defense Integrated Subsistence Management System (DISMS)	Provides an automated data base to support procurement actions.	Improve procurement actions.
Electronic Commerce/Electronic Data Exchange (EC/EDI)	Transact paperless contract solicitations and awards via computer.	Reduced Lead Time. Elimination of paper handling.
Defense Integrated Logistics-Network (DIL-Net)	On-line ordering for General/Industrial items.	Reduced Lead-Time – Paperless transactions.
Video-Teleconferencing (VTC)	Face-to-face conference calls and meetings with our customers.	Improved communications. Less travel expense.
General & Industrial Market Place(DMART)	Interactive ordering system an Internet Application.	24 hours a day status availability–one stop shopping.
Credit Card Ordering System (C-COS)	Commercially operated phone answering service.	24 hours a day telephone access for customers without internet capabilities.
DLA Pre-Award Contracting System (DPACS)	Paperless access to standard and special contracting clauses.	DoD wide acceptance/preference.

Automated Systems in Use (Chart OV-4).

To put the enormity of our business in perspective, we support over 50,000 different customers, award more than 10,000 contracts annually and deal with a supplier base of over 9,000 companies. To meet the challenge of continuous improvement while maintaining optimum flexibility, we have relied on our ability to develop and deploy innovative, state-of-the-art automation technology (see chart OV-4 above).

The tremendous impact of Base Realignment and Closure (BRAC) actions both at DSCP and within the DoD forced us to pursue more dramatic and profound changes in the way we conduct our business. Our use of technology has enabled us to maintain our workload effectiveness while reducing our personnel strength by over 40% in the last ten years.

2. Principal Factors Determining Performance Success.

The greatest challenge facing DSCP, and in fact the entire DoD, is how to maintain a readiness posture in an era of budget cuts, global markets, and competition. DSCP must sustain, through contracts for peacetime requirements, a robust logistics support system capable of responding to rapid changes in demand at a lower cost.

The US Government regulates two of our four commodities. Medical and pharmaceutical items are regulated by the US Federal and Drug Administration (FDA). Subsistence items are regulated by FDA, US Department of Agriculture (USDA), US Department of Commerce (USDC).

3. Customer Requirements (See also Chart OV-6 on page vi). DSCP is organized in four separate commodity directorates along customer market segments and product lines. The chart at page vi is a description of what we supply and to whom. DSCP has three key business processes to help deliver our key process/service. They are:

- Acquiring products and services.
- Managing supplies.
- Integrating supply chain

DSCP is a leader in its ability to support innovative commercial business practices. We have firmly incorporated supplier/vendor partnerships that deliver product and services to our customer within 24 hours. This partnership enables a vendor to deliver products right to the point of use, with consumption rates and replenishment monitored by the contractor. Utilizing this type of system, the customer will pay only for what they use, eliminating the need to invest diminishing fiscal resources in stagnant inventory. This reduction in inventory investment will allow the customer to reprogram the much-needed funds into other critical areas.

Simplifying the customer relationship through a reduction in the number of players to a “single face to the customer,” combined with expanded use of the credit card to simplify ordering and billing, and the institution of electronic data interchange, provide a total package to ease the process for the customer, and increase customer satisfaction to unprecedented levels.

4. Supplier and Partnering Relationships

In FY 99, we bought products totaling nearly \$4.5 billion from over 9,000 suppliers. Our top ten suppliers by dollar volume account for over 10% of total purchases. The distribution of suppliers with the number of prime vendor's

contractors by each of commodity groups is shown below:

Prime Vendor Contractors

Commodity	# of PV	Requirements
C&T	6	On-time delivery, Anticipate Demands
G&I	24	On-time delivery, 100% right items
Subsistence	57	Delivery within 2 hours with min of 98 % fill and no substitutions
Medical	14	On-time delivery

Chart OV-5)

General Suppliers

Commodity	# of Suppliers	Requirements
C&T	1,850	Meets Delivery schedules
G&I	4,200	Delivery schedule/quality
Subsistence	1,000	Delivery schedule
Medical	707	Delivery schedule

(Chart OV-6)

Military readiness is our overarching reason for existing. DSCP is the Supply Chain Manager that ensures the logistics system meets the needs of the services in war, as well as in peace. DSCP is the “logistical integrator” for the military. In order to maintain readiness, we foster close and strong partnerships with our suppliers and customers. All four of our commodities maintain their respective traditional commercial industrial base and supplier programs. Additionally, we utilize new business initiative contracts, such as Prime Vendor, which are single distributors who support a group of customers in a geographic area. DSCP customers have realized significant benefits from this program. Very prompt delivery, choice of commercial products, high product quality, and dependable, consistent service are hallmarks of the Prime Vendor Program. Through its strong partnerships with the Small Business community (small, small disadvantaged, and small women-owned businesses), and Javits-Wagner-O'Day Act (JWOD) entities, DSCP is able to build long-term relationships that are vital to the maintenance of a vibrant and diversified industrial base. Annual contract awards to small business

concerns exceeded \$1.2 billion for six consecutive years. In FY 99, JWOD obligations exceeded \$100 million.

Special Requirements/Relationships

We are governed by the Federal Acquisition Regulation, and the Defense Department Supplement and are subject to the authority, direction, and control of the Secretary of Defense. Our authority is delegated from Department of Defense through the Director, DLA. We operate under the Defense Working Capital Fund (DWCF) concept that requires us to pay for our overhead costs through surcharges on sales. In this respect, we are forced to operate like any business that must cover the cost of operations through generation of revenue.

5. Other Strategic Factors.

Major New Thrust: Readiness Based Decision Support

DSCP manages a research & development (R&D) program. The primary focus of the program is readiness as it relates to DLA's shift to commercial business practices. DSCP has been working with two contractors to develop decision support prototypes aimed at improving DLA's ability to support the warfighter. One prototype development effort is called Readiness Decision Support System (RDSS). An operational prototype of RDSS will soon be delivered to DSCP. The R&D effort utilized a sampling of 50 items in the Medical Pharmaceutical business area; an area with a wide variety of commercial and readiness business arrangements to include Prime Vendor Surge, Vendor Managed Inventory, Navy Fleet Prime Vendor, Stock Rotation contracts, and Corporate Exigency contracts. The objectives of this effort are: (1) to ensure the DLA has commercial and readiness business arrangements to support the warfighter and, (2) to utilize decision support capabilities to arrive at the least costly and most effective commercial and readiness arrangements for the warfighter.

The other prototype development effort addresses supply chain integration. Here, a contractor has developed a prototype called Process Tools. This application is designed to be utilized to model and monitor critical item

supply chains beginning at the raw material manufacturer and ending at a customer's location. The tool was first demonstrated using Clothing & Textile Temper Tents. Two raw materials and one end item manufacturer's process were modeled. This tool is presently being used to model the assembly process for Unitized Group Rations in the subsistence area. The intent here is to model the assembly process utilized in the United States and to then provide that model to overseas assemblers so that they can quickly establish an exact assembly process if a contingency arises.

DSCP's efforts in R&D are tied directly to DLA's overall program called Rapid Supply (RS). RS also includes efforts called Virtual Inventory Electronic Window (VIEW) and DLA Electronic Long Term Agreements (DELTA). These programs are designed to streamline the logistics process associated with ordering supplies. DLA, through its RS program, has teamed with US TRASCOM and DARPA to form the Advanced Logistics Program (ALP). ALP is a five-year effort designed to infuse new technologies into the logistics processes used by DoD along with achieving goals and objectives listed in the Focused Logistics Pillar of the Joint Vision 2010 doctrine.

DoD Electronic Mall (EMALL)

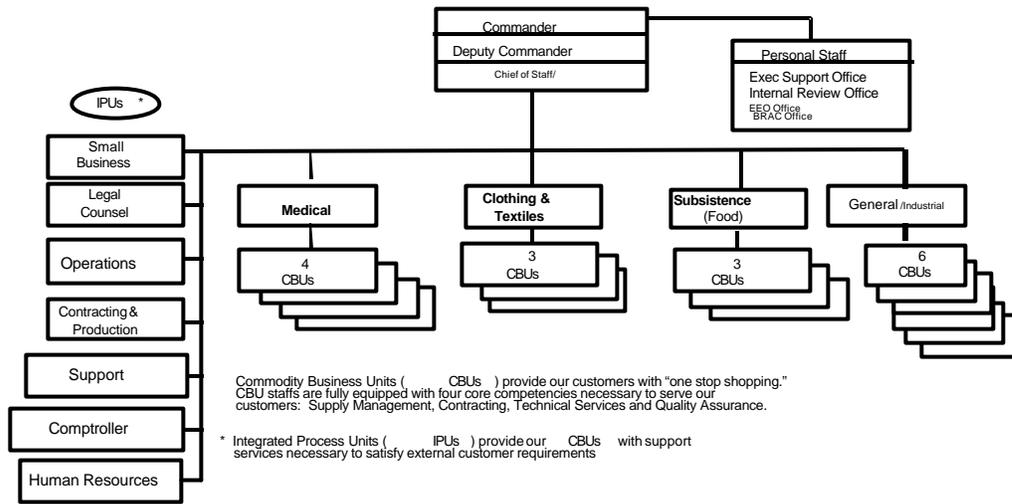
DSCP is a major supplier on the DoD Electronic Mall (EMALL). The EMALL provides our customers with the capability to search and order on-line through the Web, using either a Government credit card or military-standard requisitioning procedure. We provide the convenience of one-stop shopping, allowing a single search across all stores and catalogs within the MALL. All of our Subsistence Rations Items can now be ordered through the EMALL along with approximately 10,000 medical stocked and non-stocked items. The Clothing & Textiles ASCOT and the Medical ECAT are both major storefronts on the EMALL. We expect to add additional vendor catalogs to the EMALL, especially within the Subsistence and Clothing and Textiles commodity Directorates.

	Subsistence	Medical	Clothing & Textiles	General/Industrial
Principal/Typical Products	Dairy, breads and bakery items, coffee, tea, soda, meals, fresh fruits and vegetables, juices, meals ready to eat (MREs), and operational rations	Pharmaceuticals, Medical Surgical items, medical equipment, dental items, and biological systems	Dress uniforms, coats, trousers, shirts, skirts, slacks, footwear, underwear, and battle dress uniforms, protective items, accessories (belts, buckles, neckties and physical fitness uniforms). Also, tents, equipment, special purpose clothing, insignias, heraldics, flags, cold weather and chemical protective clothing for military and other federal customers	Wood Products – hardwoods, softwoods, plywood, veneer, millwood, poles, pilings and bulk lumber Food Service Equipment Field Feeding Imaging and Information – film, paper, chemicals, cameras & processing equipment and new technology such as digital cameras, computers, printers and scanners Marine Lifesaving & Diving – helmets, scuba gear, masks, life vests and hydraulic tools Fire Fighting - aircraft/crash rescue, hazardous material response or emergency medical services Move & Store Material – heavy equipment, material handling, storage systems (rope & rigging) and containers Facilities Maintenance – building materials, plumbing supplies, lumber, lighting General Hardware – miscellaneous hardware, knobs and pointers, fasteners, gaskets, packing and seals, synthetic rubber products and O-rings Metals & Metal Products – bulk metal or semi-finished metal products – carbon steel, stainless steel, aluminum, nickel, copper, brass, titanium and other industrial metals in a variety of shapes and forms All customer segments not only procure items they provide related services.
Principal Customers Within DoD	Army, Navy, Air Force & Marine Corps, Defense Commissary (DeCA)	Military Treatment Facilities, US Army Medical Materiel Command, Europe.	Army, Navy, Air Force & Marine Corps	Army, Navy, Air Force & Marine Corps
Non-DoD	USDA, Federal Prisons, Job Corps, Dept of Int/Burbau of Ind Affair	Veterans Administration (VA) Hospitals	Coast Guard, General Service Administration, NATO	Coast Guard, U.S. Dept. Transportation, NASA, foreign military
Number of Customers DoD	Over 2,000	8,500	12,247	Over 18,000
Non-DoD	Over 10,000	400	1,778	
Customer Requirements	Readiness, customer service	Availability, cost, quality, response time	Military Specifications, Readiness, Cost	Availability, cost, response time, quality, ease of doing business
Special Regulations	Berry Amendment, JWOD	Berry Amendment, JWOD t	Berry Amendment Mandated Directives	Federal Acquisition Regulation, Defense Working Capital Fund (DWCF)
Competitors	Military Services, VA, DeCA, Commercial Food Distributors	VA	Army & Air Force Exchange System (AAFES), Military Services	General Service Administration Fleet Industrial Supply Center (FISC), (AAFES), Navy Exchange Commissary (NEXCOM)

DSCP Products, Customers, Requirements, Regulations and Competitors (Chart OV-7)

The current DSCP organization structure is charted below. (Chart OV-8).

DSCP ORGANIZATION STRUCTURE



Commodity Business Units (CBUs) provide our customers with "one stop shopping." CBU staffs are fully equipped with four core competencies necessary to serve our customers: Supply Management, Contracting, Technical Services and Quality Assurance.

* Integrated Process Units (IPUs) provide our CBUs with support services necessary to satisfy external customer requirements

GLOSSARY OF ACRONYMS

ACO	Administrative Contracting Officer
ASCOT	Automated System for Cataloging and Ordering
BCA	Business Case Analysis
BCC	Business Counseling Center
BRAC	Base Realignment and Closure
COTS	Commercial Off-the-Shelf
CBU	Commodity Business Units
CDMIS	Customer Demand Management Information System
CORANET	Combat Rations Network
C&T	Clothing & Textiles
DAPA	Distribution and Pricing Agreement
DAWIA	Defense Acquisition Workforce Improvement Act
DESEX	Defense Supply Expert System
DeCA	Defense Commissary Agency
DILNET	DISC Inventory Locator Network
DISMS	Defense Integrated Subsistence Management System
DCMC	Defense Contract Management Center
DFAS	Defense Finance Accounting Center
DISA	Defense Information Systems Agency
DISC	Defense Industrial Supply Center
DSO	Defense Subsistence Office
DLA	Defense Logistics Center
DoD	Department of Defense
DODAAC	Department of Defense Activity Address Code
DPSC	Defense Personnel Support Center
DSCP	Defense Supply Center Philadelphia
DRMO	Defense Reutilization and Marketing Office
DVD	Direct Vendor Delivery
EC	Electronic Commerce
ECP	Engineering Change Proposal
EDI	Electronic Data Interchange
EDS	Electronic Data Systems
EEO	Equal Employment Opportunity
EIS	Executive Information System
ESC	Executive Steering Group
ESOC	Emergency Supply Operation Center
EXCEL	Excellence in Career Experience and Learning
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition and Streamlining Act
FEB	Federal Executive Board
FEHB	Federal Employees Health Benefits
FMS	Foreign Military Sales
FY	Fiscal Year
GAO	Government Accounting Office
GED	General Education Development
GM	General Manager
GPRA	Government Performance and Results Act

GS	General Schedule
GSA	General Services Administration
HDR	Humanitarian Daily Rations
ICP	Inventory Control Point
IDP	Individual Development Plan
IM	Inventory Manager
ISO-9000	International Organization for Standardization
JLSC	Joint Logistics Systems Center
LAN	Local Area Network
LRT	Logistics Response Time
LTC	Long Term Contracting
LWOP	Leave Without Pay
MBA	Mentoring Business Agreement
MECA	Medical Electronic Customer Assistance
MEDEX	Medical Air Express
MELCA	Medical Electronic Customer Assistance
MIS	Management Information System
MOA	Memorandum of Agreement
MRE	Meals, Ready to Eat
MSPB	Merit Systems Protection Board
NAVICP	Navy Inventory Control Point
NFISC	Navy Fleet and Industrial Support Center
NPR	National Performance Review
OJT	On-the-Job Training
OTS	On-the-Spot-Award
PAT	Process Action Team
PALT	Procurement Lead Time
PAT	Process Action Team
PCO	Procurement Contracting Officer
PPC	Product and Price Comparison Tool
PQS	Professional Qualifications Standards Program
POM	Program Objective Memorandum
PQDR	Product Quality Deficiency Report
QR	Quick Response
QSI	Quality Step Increase
RAB	Restoration Advisory Board
RDA	Research Development and Analysis
RIF	Reduction in Force
ROD	Report of Discrepancy
SAMMS	Standard Automated Materiel Management System
SPG	Strategic Planning Group
SPVI	Subsistence Prime Vendor Interpreter
SSP	Sustained Superior Performance Award
STORES	Subsistence Total Order
SWOT	Strengths, Weakness, Opportunities, and Threats
TQM	Total Quality Management
UGR	Unitized Group Ration
UMR	Unsatisfactory Materiel Report
UPR	Universal Products Number

USHBP	Uniformed Services Health Benefits Program
USTF	Uniformed Services Treatment Facilities
USDA	United States Department of Agriculture
UTP	Unitized Tray Pack
VMI	Vendor Managed Inventory